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Terrorism Financing Risk Assessment of Non-profit Organizations in Nigeria:

Summary of Key Findings

This brief summarizes the key findings of the terrorist-financing risk assessment (TFRA) of non-profit organizations in Nigeria conducted by the Special Control Unit Against Money Laundering (SCUML). The TFRA rated the overall terrorist financing risk to NPO operations in Nigeria as Medium-High.

MAJOR HIGHLIGHTS:

1. Nigeria's TFRA of the NPO sector aims to satisfy the requirements of Recommendation 8 (R8) of the Financial Action Task Force (FATF) which requires countries to identify the subset of non-profit organizations (NPOs) vulnerable to terrorist financing (TF) risks.
2. FATF's R8 is targeted at NPOs that fall within the FATF definition of NPO. Ten categories of organizations have been identified as FATF NPOs in Nigeria based on their activities. These are: expressive (advocacy and research-focused) NPOs, service-provision NPOs, humanitarian organizations, faith based/religious organizations, Politically Exposed Persons (PEP)-owned charitable initiatives, private charities, corporate foundations/CSR initiatives, donor bodies, Host Community Trusts and Community Development Associations.
3. A significant percentage of NPOs operating in Nigeria are non-FATF NPOs. These numerous associational bodies for traders, unions, professions, age grades, town unions, local communities, employees of private and public companies, cooperatives, etc. are specifically set up to advance the interests and welfare of their members. They make and distribute profits, but are not primarily established for the promotion of 'good causes'.
4. The definition of terrorist financing is very broad, and transcends mere financial support to terrorists and terrorist organizations. It encompasses providing, soliciting, acquiring, collecting, receiving, possessing, or making available property, funds or other services, with the intention or knowledge that it will be used, in full or in part, to finance a terrorist or terrorist group. This provision applies to natural persons and entities, including NPOs.
5. Committing the offence of terrorism financing attracts heavy punishment such as life imprisonment in the case of a natural person or a fine of at least N200,000,000 in the case of a body corporate, the imprisonment of their principal officer for a term at least 20 years, and up to a maximum of life imprisonment. Other penalties applicable to body corporates include winding up, prohibition from reconstitution or incorporation under any form or guise.
6. There is a significant terrorist and terrorist financing threat in Nigeria from Boko/ISWAP and Yan Bindiga / Yan Taadda. These are considered the most significant potential threat to NPOs in Nigeria. Threats from other religious extremists or secessionist groups exist but are not as significant. The threats also vary by region. The greatest threat was in the North-East and North-West, especially by groups with international links.
7. There are potentially three ways NPOs could be exposed to TF abuse. They are:
 - I Use of NPOs as means for facilitating foreign funding of terrorist groups in Nigeria.
 - II Use of NPOs as a part of complex schemes (often involving vendors) to disguise funding of terrorist groups.
 - III Crimes against NPOs by terrorist groups (kidnapping for ransom / hijacking of goods).
8. Many factors potentially increase NPOs' vulnerability to terrorist financing risk (also known as inherent vulnerabilities). They are:
 - Geography: Primarily, this borders on the activities of NPOs operating in close proximity to Boko Haram or ISWAP (North-East and North-West).
 - Activity is another linked risk factor, particularly humanitarian, religious activities (both Islamic

and Christian) and service activities' such as "the provision of food, shelter, health care, water, sanitation and hygiene," the provision of "medical supplies, food and building of Quranic schools and orphanages", or those "providing housing, social services, education, or health care".

- Cash transactions
 - Foreign links or cross-border activities, particularly links to Middle Eastern groups.
 - The use of vendors
 - Links to politically exposed persons (PEPs).
9. The subsets of NPOs—with following features, types, activities, and characteristics—have higher vulnerability to TF abuse: **Foreign NPOs active in the North-East | NPOs with links to high-risk foreign individuals or entities | NPOs active in very high-risk areas, including movement of goods (North East and North West) or Medium-Risk areas (South East) | Humanitarian NPOs operating in the North-East | Faith-based NPOs raising and disbursing funds through cash | 'Service provision' NPOs (food, health care, water, shelter,**

medical supplies, education, social services, religious services) operating in high risk areas mentioned above | NPOs that engage vendors or third parties in the high-risk areas | NPOs associated with unapproved financial or operational activities | NPOs associated with complex financial arrangements | NPOs using higher risk methods for moving funds, with two elements: a. NPOs moving large sums & b. NPOs using cash transactions.

10. None of the evidence collected nor the case studies of potential TF risks were known to involve institutional donors, defined as governmental, inter-governmental or institutional donors such as major international foundations.

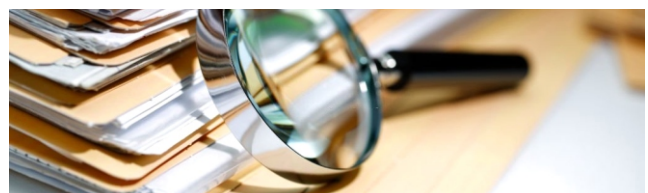
11. The situation in the North-East and North-West attracts a heavy presence of humanitarian NPOs and NPOs with foreign links, which contributes to the higher risk profile of these NPO activities in high-risk areas. Nevertheless, for most NPOs in most parts of the country, there is little evidence of a terrorist financing risk. Overall, this assessment recognizes that there is a gradient of risk from Medium-High in parts of the North to Low-Medium for NPOs in parts of the South.

SUMMARY OF FINDINGS

BACKGROUND: WHY CONDUCT A TERRORIST FINANCING RISK ASSESSMENT OF NPOS?

Recommendation 8 (R8) of the Financial Action Task Force (FATF) requires countries to identify the subset of non-profit organizations (NPOs) vulnerable to terrorist financing (TF) risks, and to take targeted and proportionate measures to protect such organizations from abuse by criminal elements. Nigeria is a member of GIABA, the FATF-style regional body for West Africa. GIABA last published a Mutual Evaluation Report (MER) of Nigeria's compliance with the FATF standards in 2021. The MER rated Nigeria's performance on R8 as Non-Compliant and effectiveness under Immediate Outcome 10 as Low Effectiveness. Top on the list of reasons for the low rating was because Nigeria had not identified at-risk NPOs, and the nature of threats

posed by terrorist entities, as well as how terrorist actors abuse those NPOs. Nigeria conducted a national risk assessment (NRA) in 2016 which fell short of the requirements of R8. To correct some of the shortfalls noted in the previous exercise, the Special Control Unit Against Money Laundering (SCUML) conducted a standalone terrorist-financing risk assessment of non-profit organizations in Nigeria between 2021-2022. This risk assessment represents the country's commitment to adopt a risk-based approach and to take steps to promote effective supervision of at-risk NPOs.



This requirement proceeds upon the premise that not all NPOs are vulnerable to TF abuse and that only a subset of NPOs identified by countries should be subject to R.8 requirements. The 2023 TFRA was, therefore, conducted to understand the features and types of NPOs at risk of TF abuse in Nigeria and the nature of the threats that they face.

WHAT DOES TERRORISM FINANCING MEAN?

The definition of terrorist financing is very broad, and transcends financial support as the name implies. Section 21 of the Terrorism (Prevention & Prohibition) Act 2022 prohibits persons and entities from providing any form of support to terrorist groups which includes providing, soliciting, acquiring, collecting, receiving, possessing, or making available property, funds or other services with the intention or knowledge that it will be used, in full or in part, to finance a terrorist or terrorist group. Entities in this context includes NPOs. Terrorist financing also encompasses involvement in any arrangement that enables terrorists and terrorist organizations to acquire, retain, transfer, conceal or control funds, or remove funds out of jurisdiction. Violating this legal provision attracts heavy punishment such as life imprisonment in the case of a natural person, or a fine of at least N200,000,000 in the case of a body corporate, and the imprisonment of their principal officer for a term at least 20 years and up to a maximum of life imprisonment. Other penalties applicable to body corporates include winding up, prohibition from reconstitution or incorporation under any form or guise.

WHAT DOES IT MEAN TO BE AT-RISK OF TERRORISM FINANCING ABUSE?

The TFRA defines "at risk' NPOs' as 'NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse'. Within the context of this assessment, it means those NPOs which are inherently vulnerable to terrorist financing abuse. As further clarified in FATF Best Practice Paper to Combat the Abuse of NPOs, terrorists and terrorist organizations may seek to exploit NPOs,

particularly those in conflict regions, to raise and move funds, to provide logistical support (including provision of goods and services), to recruit new members, or otherwise support terrorist organizations and operations. They often employ tactics of deception to mask their activities or to secure a veil of legitimacy for their criminal activities. Against this backdrop of well-planned deceptions, oversight by appropriate authorities with sufficient capabilities is a necessary element of preventing and detecting terrorist threats to the NPO sector.

In light of the above, being at risk of terrorist financing does not mean that the organizations or subset of NPOs so identified have already been abused or are guilty of terrorism financing. Instead, the purpose of the TF risk assessment exercise is to identify where the risk of deception or exploitation by terrorists and terrorist organizations is greater and ensure necessary measures are in place to checkmate abuse.

An example is where legit organizations doing important work may find themselves exposed to the deception tactics of terrorists or other potential terrorism financing risks. So, extra care must be taken to support these organizations and reduce their terrorist financing vulnerabilities so that they can continue their important work in a way that is safe and secure. What the TFRA has done is to use all relevant sources of information to identify the features and types of NPOs, which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.

WHAT METHODOLOGY WAS USED TO CONDUCT THE TFRA?

Although FATF standards "do not prescribe a particular method or format for assessing risk" of terrorist financing in NPOs, Nigeria's TFRA of the NPO sector was designed to meet the requirements of FATF R8.1 (a-c) which are:

- I identify which subset of organizations fall within the FATF definition of NPO.
- II identify the features and types of NPOs that, by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.
- III identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs.

The risk assessment was completed using a Methodology provided by Greenacre Associates, and implemented by a Local Assessment Team comprising representatives from public and private institutions, including the civil society such as: Economic and Financial Crimes Commission (EFCC), Special Control Unit Against Money Laundering (SCUML), Nigerian Financial Intelligence Unit (NFIU), Office of the National Security Adviser (ONSA), Nigerian Army (NA), Department of State Services (DSS), Federal Ministry of Justice (FMOJ), Federal Ministry of Budget and National Planning, Financial Reporting Council of Nigeria (FRCN), National Intelligence Agency, Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development, Borno State Government, Christian Association of Nigeria, The Nigerian Supreme Council for Islamic Affairs (NSCIA), Corporate Affairs Commission, Central Bank of Nigeria, SPACES FOR CHANGE (S4C) and the International NGO (INGO) Forum.

Despite the lack of quantitative data on TF risk in the NPO sector in Nigeria, the assessment utilized primary and secondary sources to gather extensive data to determine a reasonable income band for NPOs in Nigeria, with specific emphasis on their funding sources, knowledge of donor(s), mode of fund transfers, the proportion of local to foreign funding, the share of government funding, grantmaking operations by donors in Nigeria, nature and scope of charitable activities, and the quantum of cash donations. The TFRA also assessed the regulatory environment for NPOs in Nigeria and the regulatory responsibilities fragmented across agencies like the Corporate Affairs Commission (CAC), Federal Ministry of Budget and National Planning (FMBNP), taxation agencies (state and federal), Financial Reporting Council of Nigeria

(FRCN), state Regulators, Special Control Unit Against Money Laundering (SCUML) and the Nigeria Financial Intelligence Unit (NFIU). Written requests for data on terrorist financing in the NPO sector, case studies, focus group discussions, and surveyed perceptions of TF risks, threats and vulnerabilities were obtained from representatives of the agencies listed in the preceding paragraph, including 14 financial institutions (commercial banks). Questionnaires were administered and interviews further conducted with representatives of over 530 civil society organizations and the above-listed agencies across the six geopolitical regions of Nigeria. The preliminary assessment report was widely shared with government and non-governmental stakeholders, followed by a validation meeting attended by all members of the Core Working Group.

IDENTIFYING FATF NPOs IN NIGERIA

An NPO, according to the FATF, is a legal person, arrangement, or organization that primarily raises or disburses money for charitable, religious, cultural, educational, social, or fraternal purposes, as well as other "good works."

Ten categories of organizations have been identified as FATF NPOs in Nigeria based on their activities. These are:

- a. Expressive NPOs
- b. Service-provision NPOs
- c. Humanitarian organizations
- d. Faith based/ religious organizations
- e. Private charities
- f. Politically Exposed Persons (PEP)-owned charitable initiatives
- g. Corporate foundations/CSR initiatives
- h. Donor bodies
- I. Host Community Trusts: Community associations are required by law to be incorporated as incorporated trustees in compliance with the requirements of the Petroleum Industry Act for extractive communities.
- j. Community Development Associations

Certain civil society organizations were determined not to be FATF NPOs. They include:

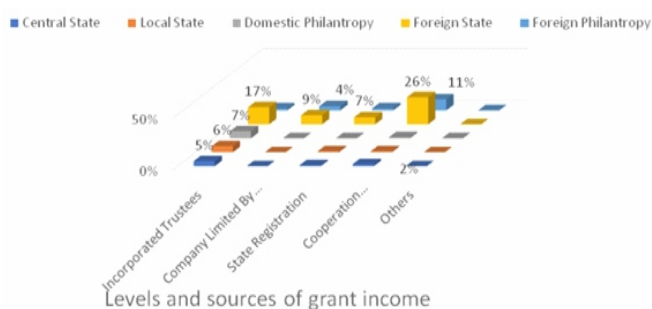
- Trade unions, professional associations and business membership organizations were all excluded as they are not established for the promotion of 'good causes'
- Cooperative societies (established under the Cooperative Act).
- Foreign government donors
- Intergovernmental agencies: Examples include UN agencies, World Bank, WHO, UNICEF, UNDP etc.

FATF's R8 is only targeted at NPOs that fall within the FATF definition of NPO. FATF NPOs in Nigeria are either federally- and/or state-registered. The nature of their registration informs the nature and scale of regulatory requirements expected of them from relevant regulators at the federal and state levels. Based on the SCUML statistics, the north-central has the highest number of NPOs registered with SCUML, followed by the South-West while the South-east and the North-east has the least registrations respectively. Overall, 19,055 organizations are registered with SCUML in Nigeria as of 2021. Out of the 19,055 NPOs registered with SCUML, religious and faith-based groups, service provision and expressive groups topped the chart respectively while humanitarian groups, community organizations, privately-run charities and corporate foundations were chronologically at the bottom of the table.

WHAT ARE THE SOURCES OF FUNDING FOR NPOs IN NIGERIA?

NPOs operating in Nigeria have a variety of source of funding sources ranging from donations (cash and electronic transfers), consultancy, corporate sector financing, government funding, domestic philanthropy, grants and foreign funding. Survey responses reveal that the the sources and nature of funds received by NPOs depend on their activities and legal types. Donations may be made in cash or electronic transfers. On whether those receiving cash donations know the sources of donations, 78% indicated that they are 'always' aware of the donor while the remaining 22% reported that they are to some degree aware of the donor but not always. No NPO reported that they are 'never' aware of their cash donors.

Responses further revealed that 58% of the NPOs receive grants from foreign states while 18% of the NPOs (all of them INGOs) reported that they receive grants from foreign philanthropies. Only 10% of the NPOs reported that they receive grants from local philanthropies. This data is consistent with the finding of low domestic philanthropy in Nigeria as well as the finding that the source of donations are always known and often pre-negotiated and agreed prior to the transfer of funds.



Receiving foreign funding in Nigeria is often characterized by stringent grant-making procedures such as enhanced due-diligence and reporting requirements imposed by public and private donors, while local banks enforce enhanced due diligence requirements arising from anti-money laundering and security-related concerns. The combination of controls from grant-makers and banks may significantly reduce TF risks associated with foreign philanthropy. The data shows that foreign funds are received almost exclusively from developed countries (USA and Western Europe), and are dominated by the fields of refugees, aid, development, health, and women/children's rights. From the analysis of responses, NPOs registered as incorporated trustees and cooperative agreements are more involved in international fund receipts (15% and 13% of total NPOs respectively) while more NPOs with cooperation agreements are involved in processing work permits (12% of total NPOs) and are foreign managed (11% of total NPOs).

WHAT IS THE NATURE OF THREATS POSED BY TERRORIST ENTITIES TO NPOs IN NIGERIA?

The TFRA combined quantitative data (evidence of that threat being manifest) and qualitative data (expert views on what the threat is likely to be).

Nigeria's Mutual Evaluation Report (2021) notes that “Nigeria faces some of the deadliest and destructive terrorist threats in the world in Boko Haram and its offshoot, Islamic State West Africa Province (ISWAP)”. NIRA 2022 assessed the terrorist financing risk in Nigeria and rated overall risk as high. In relation to specific threats, the 2022 NIRA identified four main threats, with the assessments as follows:

- Yan Bindiga/ Yan Taadda (North West/North Central) | Threat level (North-West): High
Islamic State West Africa Province (ISWAP) (North East) | Threat level: Very High.
- Boko Haram (Jama'atu Ahl as-Sunnah li-Da'awati wal-Jihad) | North East. Threat Level. High
- Indigenous People of Biafra (IPOB). (South-East/South South) | Threat Level (South-East): Medium Threat Level (South-South): Low.
- Islamic Movement of Nigeria (IMN) | North-West Nigeria)

A heat map analysis of the terrorist financing threat to NPOs by region ranked the 'threat' in each region on a score of 2-8. The results were as follows:

Table 11: Terrorist Financing Threat Level by State to NPO operations

GEO-Political Zone	Overall Vulnerability	Overall Threat	Overall Regional TF Risk	Rating
North East	8	8	64	Very High
North West	8	8	64	Very High
North Central	7	7	49	High
South South	4	5	20	Low-Medium
South West	3	5	15	Low
South East	6	5	30	Medium
Overall Country Risk	6	6.33	38	Medium-High

NIRA noted that Boko Haram and ISWAP “operates in the North-eastern part of the country where there is dominance of non-profit organizations offering humanitarian assistance”. Similarly, it noted that IPOB “operates in the South-eastern part of the country, there are mostly domestic non-profit organizations who provide outreach on social engineering to communities.” However, the extract provided does not identify any specific ways in which NPOs may be abused by these terrorist threats.

IN WHAT WAYS DO TERRORISTS ABUSE NPOs?

As noted above, there is a significant terrorist and terrorist financing threat in Nigeria from Boko/ISWAP, and this must be considered the most significant potential threat to NPOs in Nigeria. The 2022 NIRA identified Yan Bindiga / Yan Taadda as a significant threat. Threats from other religious extremist or secessionist groups exist, but are not as significant. How then do these proscribed groups abuse NPOs?

A range of supervisory and law enforcement officials, NPO officials and representatives from financial institutions were surveyed for their opinions through various means. Also, written requests for data on terrorist financing in the NPO sector were sent to 12 government agencies. A total of 7 cases were identified, which involved:

- 5/7 cases involved foreign NPOs active in North-east Nigeria.

- 2/7 cases involved humanitarian and faith-based NPOs.
- 5/7 cases involved the use of vendors or third parties.
- 4/7 cases involved some unapproved activity (use of unapproved finance apps, use of unlicensed money businesses; unauthorised use of arms; unapproved movement of goods; use of unlicensed bureau de change), three cases involved complex financial activity (loans, use or personal accounts, exchanging of funds, multiple INGOs, two cases involved use of dormant accounts.
- 1/7 cases involving movement of large sums (US\$5.4m), (US\$130,000), (US\$400,000) and (US\$460,000).
- 3/7 cases involving involved cash, with large amounts recorded, one case involving the wire transfer of funds to an NPO via a vendor by a Nigerian citizen resident abroad who was connected to a terrorist group.
- 1/7 involved the wire transfer of funds to a Nigerian citizen from a banned European NPO via a Middle Eastern affiliate
- 1/7 involved goods being hijacked by terrorist groups.

Three cases were under investigation or review at the time of writing the TFRA report. One case resulted in a suspension of activities while one other resulted in an OFAC ¹ designation. No further action was taken in two cases due to lack of evidence. Details on six Suspicious Transaction Reports (STRs) were provided (some of these cases overlap with the cases above). The nature of the concerns noted were:

- Provision of humanitarian services
- Receipt of funds from terrorist linked organizations/persons
- Clandestine diversion of products to terrorists
- Use of unincorporated companies to move funds into a terrorist prone area.

[1. The Office of Foreign Assets Control administers and enforces economic sanctions programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers.](#)

The Intelligence services reported the suspension of services of some international NGOs operating terrorist groups, and of violating security policies and procedures on the movement of humanitarian goods to high-risk areas. Some goods were reportedly hijacked by terrorist groups. The regional focus groups of domestic NPOs in the North-East highlighted incidents that suggest the possible diversion or disguise of funds to terrorist groups by internal staff, or especially through the use of vendors suspected of providing legitimate charitable services to terrorist groups; and the use of sham NPOs to obtain funds through deception.

Information requests were sent to financial institutions, with fourteen replies received. No bank recorded incoming or outgoing financial flows with jurisdictions with significant links or exposure to sanctioned states involving NPOs. No bank recorded assets frozen under targeted financial sanctions. No bank also filed STRS involving NPOs during the period under review. From the cumulative evidence provided above, there are potentially three ways NPOs could be exposed to TF abuse. They are:

- I Use of NPOs as means for facilitating foreign funding of terrorist groups in Nigeria.
- II Use of NPOs as a part of complex schemes (often involving vendors) to disguise funding of terrorist groups.
- III Crimes against NPOs by terrorist groups (kidnapping for ransom / hijacking of goods)

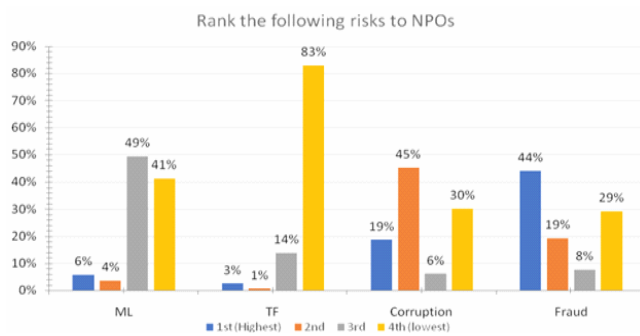
HOW DO NPOs ACROSS REGIONS PERCEIVE THEIR VULNERABILITY TO TF THREATS?

NPOs offered no opinion on methods used by terrorist groups to abuse NPOs. However, they concurred that the threat varied by region, and that the greatest threat was in the North-East and North-West, especially by groups with international links. Based on the interviews held with the ministries responsible for the registration and coordination of NPOs in the South-East (SE), South-West (SW), South-South (SS) and security agencies such as the Department of State Service (DSS) and Commissioners of Police (COP), there are regional variations on the perception the TF risks facing NPOs across regions.

Officials in the SE, SS, SW all agree that the TF risk involving NPOs in those regions is Medium Low, but law enforcement agencies, and state government officials in the North East (NE) and North West (NW) stated that the risks of TF abuse of NPOs in regions where insurgents and Boko Haram terrorists have been operating since 2010 are High.

A survey asked NPOs for their perception of the level of terrorist financing risks to the NPO sector in general, and to their own NPO. A majority (65%) agreed that there was No or Very Small Risk. The majority of NPOs surveyed believed that their own NPO did not face a terrorist financing risk.

The NPOs were also asked to rank four risks: money laundering, terrorist financing, corruption, and fraud. Whilst responses for the other three risks were more balanced, there was a strong consensus that terrorist financing was the least of the four risks faced by NPOs, with 83% of respondents rating it the lowest of the four risks.



The above perceptions by NPOs align with both statistical and investigative evidence regarding the methods for TF abuse of NPOs in Nigeria. The 2021 MER rated Recommendation 8 as Non-Compliant and Low Effectiveness under Immediate Outcome 10. The major issues identified were: Nigeria has not identified the features and types of NPOs which may be at risk of TF abuse. No specific cases of terrorist financing in the NPO sector are noted in the MER. The 2016 NRA noted four legitimate and eleven illegitimate methods used by Boko Haram for raising funds, and four methods for moving funds.

These included 'voluntary membership contributions' and 'payment of zakat'. However, in neither case was it stated that these methods involved non-profit organisations.

Individual respondents also raised concerns about sham NPOs, the use of NPOs to receive illicit funds disguised as grants, abuse of fund-raising and crowd funding, or the hijacking of the legitimate purposes of an NPO. However, none of these concerns were supported by cases. The 2022 NIRA note the proximity of NPOs to terrorist threats, but does not expand on the nature of those threats. The 2016 NRA and the 2021 MER devote significant resources to identifying the means through which Boko/ISWAP raise or move funds, but do not identify NPOs as a mechanism. Finally, the 2016 NRA and the 2013 Nigerian Typologies report mentioned the raising of contributions or levies, the use of beggars, and the raising/diversion of zakat funds as fundraising mechanisms for terrorist groups. However, whilst these may be termed 'quasi-philanthropic', they do not involve formal or informal NPOs.

POTENTIAL FACTORS INFLUENCING TERRORIST FINANCING ABUSE OF NPOs

Geography: There was broad consensus that geography was a factor that was likely to be a vulnerability. Primarily, the risk was seen as proximity to Boko Haram or ISWAP (North-East and North-West). Buttressing the role of geography as a factor in determining vulnerability, the assessments of competent authorities, law enforcement, and intelligence indicated that there was no evidence of links between NPOs and terrorist groups in the South-West, South-South, and South-East, whereas counterparts in the North West and North East stated that there was significant evidence to suggest links between NPOs and terrorist financing in those regions.

Activity is another linked risk factor, particularly humanitarian, religious activities (both Islamic and Christian) and 'service activities' such as "the provision of food, shelter, health care, water, sanitation and hygiene," the provision of "medical supplies, food and building of Quranic schools and orphanages", or those "providing housing, social services, education, or health care". Written responses from financial institutions raised concerns that funding of faith-based causes or services such as healthcare, education, or humanitarian purposes were at risk, including from sham NPOs. However, no evidence was provided.

Cash transactions were noted as a potential vulnerability. Information shared by 14 banks

pointed to a prevalence of electronic transfers (12/14) for inward deposits and outward transfers, with minimal cash flows. Only two out of 14 banks recorded heavy cash withdrawals. 1/14 noted that exchange of cash into other currencies was also common. However, SCUML records revealed that there was heavy cash movement by INGOs in the North-East.

Foreign links or cross-border activities: In particular, links to Middle Eastern groups or entities were identified as a potential vulnerability. Other inherent vulnerabilities include the use of vendors and links to politically exposed personAs (PEPs).

Deficiencies in control measures: The relevant deficiencies in control measures, relevant contextual factors, and potential vulnerabilities, were assessed. The areas of vulnerability to TF risks observed include the following:

- Poor supervision by regulatory authorities.
- Many NPOs are unregistered, and even registered NPOs are not effectively supervised or monitored.
- NPOs do not routinely disclose their source of funds.
- Poor governance and poor scrutiny of partners and funders.

Contextual factors which contribute to the prevalence of these potential vulnerabilities include:

- Informal cash-based economy;
- Porous borders;
- corruption; and
- Poverty and unemployment

IDENTIFYING NPOS MOST VULNERABLE TO THE RISK OF TF ABUSE ('INHERENT VULNERABILITIES')

The following features, types, activities, and characteristics of NPOs are assessed as inherent vulnerabilities that are likely to increase the risk of TF abuse. The identification of the subsets of NPOs below is based on the in-depth analysis of the cumulative quantitative and cumulative evidence assessed during the entire TFRA exercise.

- I Foreign NPOs active in North-East:** In the observed cases, the fact that the NPO was foreign was an intrinsic part of the typology.
- II NPOs with links to high-risk foreign individuals or entities:** Three cases involved known or suspected links to foreign terrorist groups or affiliated individuals.
- III NPOs active in very high-risk areas, including movement of goods (North-East and North-West) or Medium-Risk areas (South East):** The 2022 NIRA identified North-East and North-West as high risk areas. The Intelligence Services only reported actions against NPOs operating in the North-East. While no case study or TF incident has been recorded in the South-east, NIRA noted that threat for South-East is assessed as medium threat mainly based on NPOs' proximity to proscribed groups like IPOB. A closely related vulnerability is NPOs moving goods in high-risk areas. The suspicious transaction reports (STRs) identified a vulnerability from the clandestine diversion of products to terrorists.
- IV Humanitarian NPOs operating in the North-East:** 'Humanitarian activities' were mentioned in the 2022 NRA, the STRs and the reports on actions by the law enforcement agencies.
- V Faith-based NPOs raising and disbursing funds through cash:** The major terrorist threats in Nigerian (Boko Haram/ISWOP) are expressions of Islamic extremism, and so it can be assumed that the 'faith-based' nature of the vulnerability is significant to some degree.
- VI 'Service provision' NPOs (food, health care, water, shelter, medical supplies, education, social services, religious services) operating in high risk areas mentioned above:** 'Service activities' were identified as a vulnerability in multiple responses from a range of sources.
- VII NPOs that engage vendors or third parties in the high-risk areas:** Five of the seven case studies involved the use of a vendor. Vendors were intrinsic to facilitating the abuse in the typologies noted in the case studies.

VIII NPOs associated with unapproved financial or operational activities: Based on the analysis of the seven case studies, the observance of an association between an NPO and an unapproved financial or operational activity can be taken as an indicator of potential abuse, including potential TF abuse.

IX NPOs associated with complex financial arrangements: Complex financial arrangements include the use of loans; the use of personal accounts; exchanging of funds; the use of multiple INGOs; the use of unincorporated companies; and the use of dormant accounts.

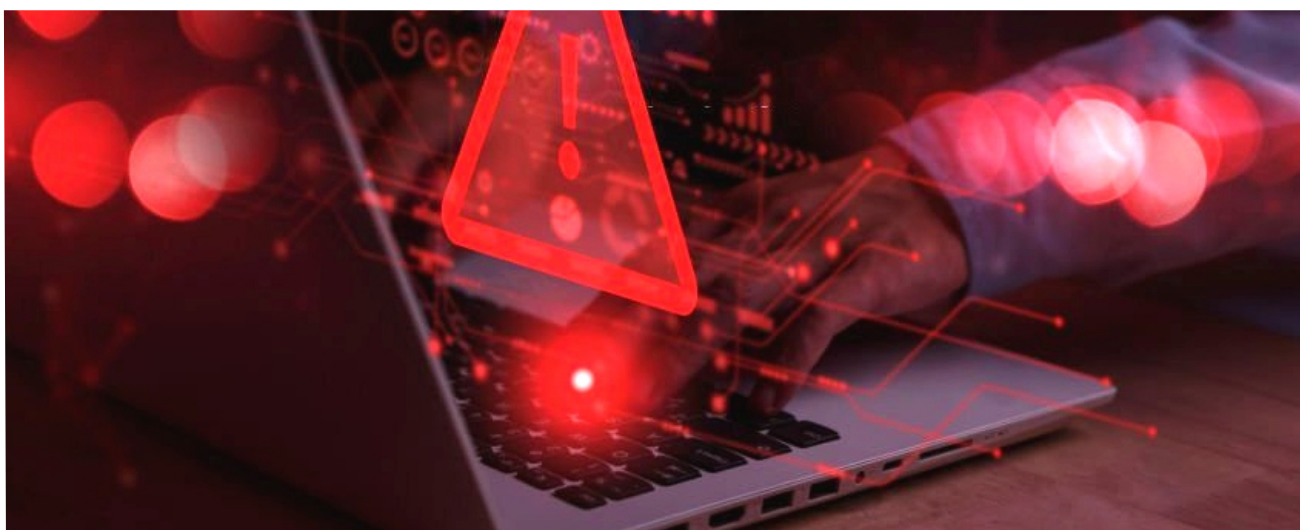
X NPOs using higher risk methods for moving funds, with two elements:

a. NPOs moving large sums

b. NPOs using cash transactions: The larger the sums and cash processed by an NPO, the larger the sums that can be potential used for TF purposes.

FINAL ASSESSMENT OF INHERENT RISK OF NPOs IN COUNTRY

- ▶ Risk is assessed as a combination of threat, vulnerability, and consequence.
- ▶ The situation in the North-East and North-West attracts a heavy presence of humanitarian NPOs and NPOs with foreign links, which contributes to the higher risk profile of these NPO activities in high-risk areas.
- ▶ For most NPOs in most parts of the country, there is little evidence of a terrorist financing risk.
- ▶ Overall, this assessment recognizes that there is a gradient of risk from Medium-High in parts of the North to Low-Medium for NPOs in parts of the South.
- ▶ With the above caveats in mind, the threats and vulnerabilities observed in the North-West and North-East are significant enough to support a conclusion that the overall inherent terrorist financing risk to NPOs in Nigeria is **Medium High**.



SPACES FOR CHANGE

LAGOS OFFICE

35b, Ajakaiye Street,
Onipetesi Estate,
Mangoro, Ikeja, Lagos.

OWERRI OFFICE:

49, MCC/Uratta Road,
Owerri, Imo State



TELEPHONE:

+234 703 620 2074
+234 909 453 9638

EMAIL:

spacesforchange.S4C@gmail.com
Info@spacesforchange.org

 @Spaces4Change

 @Spaces4Change

 @SpacesforChange.S4C.

www.spacesforchange.org